

NEW INITIATIVE - CPB-5
(Thousands of Then-Year Dollars)

Category GENSUP
CEC SUPSER
EC OP 8276
New Initiative No. 2

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Initiative Name: Supplemental Retirement

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY</u>	<u>FY</u>
Dollars	146,600	347,200					
Positions	0	0	0	0	0		

The new Federal Employees Retirement System was passed by Congress and signed into law by the President on 6 June 1986. The law established a retirement program for employees hired since 1 January 1984 who are covered by Social Security and also permits employees covered by existing retirement systems the option to transfer to the new program during an open period 1 July through 31 December 1987. The law also established a new method of funding (vice the method currently used for Civil Service Retirement System and CIARDS) for the new system which requires that the costs of the retirement benefits be fully funded on a dynamic basis. These fully funded costs are to be borne by each individual Agency. This means that in FY 1987 there will be an estimated unfunded requirement of \$18.6 million to cover the additional cost for employees hired since 1 January 1984 and represents going from the current 7 percent Agency matching cost to an approximate 23 percent fully funded cost. The additional cost of fully funding the new retirement program will rise to an estimated \$46.6 million in FY 1988 and \$47.2 million in FY 1989. This increased cost in FY 1988 and 1989 covers, in addition to employees hired since 1 January 1984, employees who elect to transfer from the Civil Service and CIARDS systems to the new system during the July to December 1987 open-enrollment period. The projected additional Agency costs are based on preliminary estimates prepared by an actual consultant.

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